

**MARICOPA REGIONAL AREA ROAD FUND
TRANSPORTATION EXCISE TAX
FISCAL YEAR 2000
YEAR-END REPORT**



PREPARED BY:

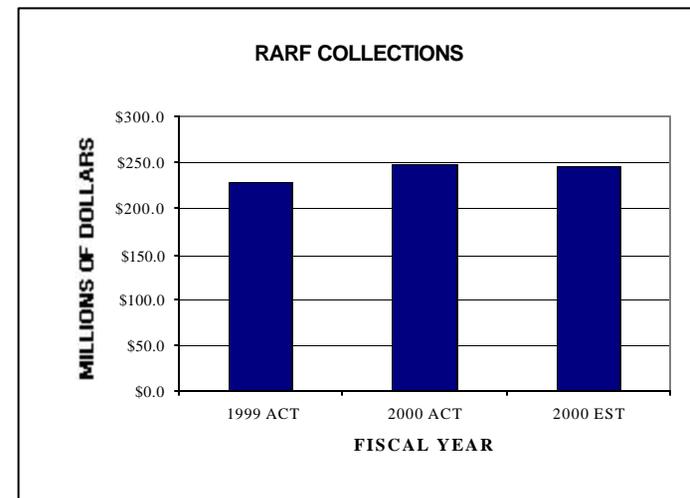
**ARIZONA DEPARTMENT OF TRANSPORTATION
FINANCIAL MANAGEMENT SERVICES
OFFICE OF FINANCIAL PLANNING
AUGUST 2000**

REGIONAL AREA ROAD FUND MARICOPA TRANSPORTATION EXCISE TAX EXECUTIVE SUMMARY

In October 1985, the voters of Maricopa County approved the Maricopa County Transportation Excise Tax, a tax which may equal up to ten percent of the State transaction privilege tax rates. This transportation excise tax, often referred to as the "1/2 cent sales tax", is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. The transportation excise tax revenues are deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. The revenues deposited into the RARF account are the principal source of funding for the Regional Freeway System in Maricopa County and are dedicated by statute to the purchase of right-of-way, design and construction of controlled access highways. The "1/2 cent sales tax" is expected to yield \$3.8 billion for the period January 1986 through December 2005.

The Maricopa County transportation excise tax collections for FY 2000 amounted to \$248.6 million, an increase of 8.3 percent over the FY 1999 revenue level and 0.8 percent above the forecast. Excise tax collections moderated in FY 2000 due to higher interest rates and the maturing construction cycle with the growth rate slowing from 9.7 percent in FY 1999.

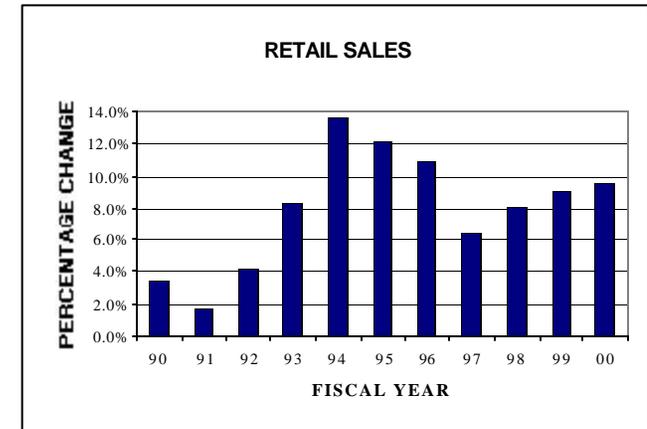
For the fiscal year, revenue categories providing the most growth over last year's revenues were "other" at 11.7 percent and retail sales at 9.6 percent. Restaurant and bar revenue growth was a close third with 9.3 percent. The FY 2000 revenue growth was attributable to high consumer confidence along with increased employment, personal income and population.



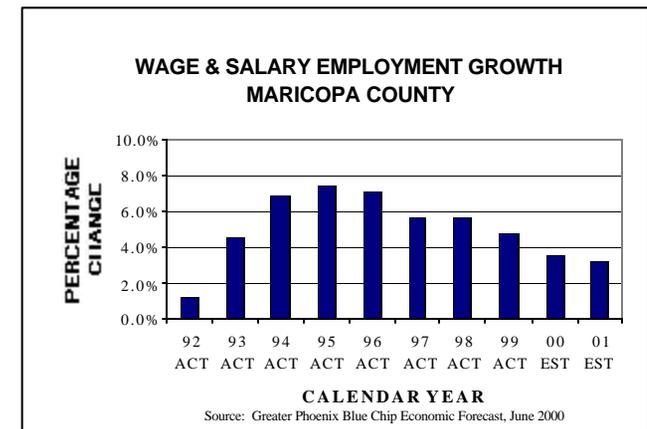
PERFORMANCE BY CATEGORY

RETAIL SALES:

Fiscal Year 2000 retail sales collections totaled \$124.4 million, an increase of 9.6 percent over FY 1999 and 2.3 percent over the FY 2000 estimate. The retail sales growth rate in FY 2000 surpassed the growth rate in FY 1999 by 0.5 percent. This revenue category continues to be the largest component of excise tax collections, contributing just over 50 percent of the total tax receipts in FY 2000. The sectors contributing to retail sales growth were motor vehicle dealers, home furnishing and equipment stores, furniture and other miscellaneous retail stores.

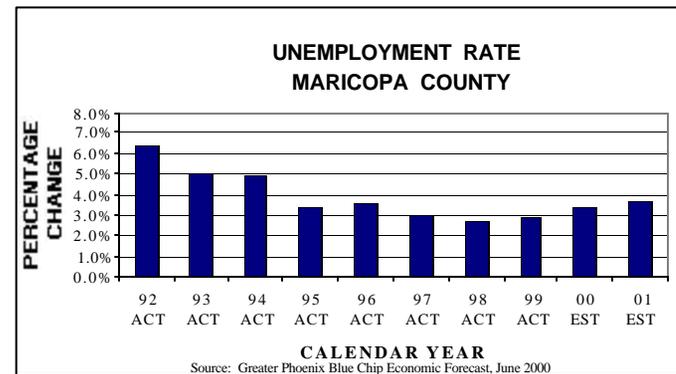
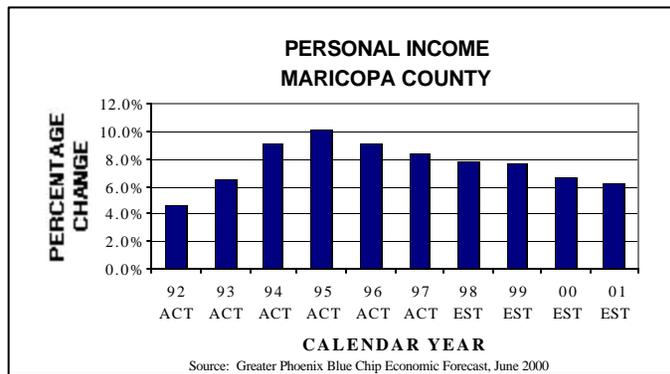


Retail sales year-over-year growth has increased from 6.4 percent in FY 1997 to 9.6 percent in FY 2000. The increase in the growth rate has been a product of strong consumer confidence due to growth in employment, population and personal income. The continued growth in the Greater Phoenix economic indicators has overshadowed the increase in interest rates over the past twelve months. However, future retail sales growth is expected to moderate with projected slower job growth. The Greater Phoenix Blue Chip forecast for wage and salary employment growth is estimated to be 3.6 percent in Calendar Year (CY) 2000 and 3.3 percent in CY 2001 compared to 5.6 percent and 4.8 percent in CY 1998 and CY 1999, respectively.



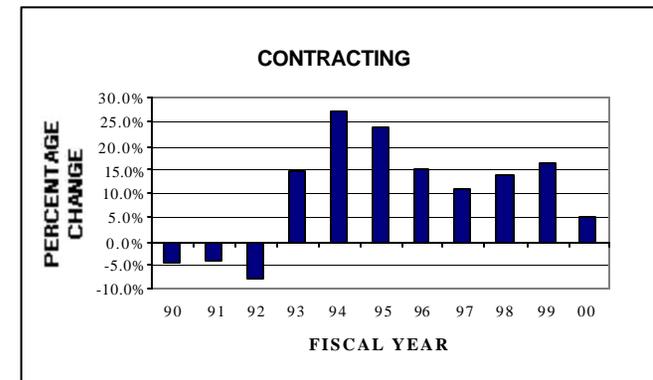
RETAIL SALES: Continued

In addition, the growth in personal income is forecast to be 6.7 percent and 6.3 percent in CY 2000 and CY 2001, respectively. This is a slight moderation in the personal income growth for Maricopa County compared to 7.9 percent in CY 1998 and 7.7 percent in CY 1999. The unemployment rate steadily decreased in Maricopa County to 2.9 percent in CY 1999 from a high of 6.4 percent in CY 1992. However, the estimated unemployment rate for Maricopa County in CY 2000 and CY 2001 is expected to move upward to 3.4 percent and 3.7 percent, respectively. The June 2000 Blue Chip Economic Forecast estimates retail sales in Maricopa County will increase by 6.1 percent in CY 2000 and 5.3 percent in CY 2001.



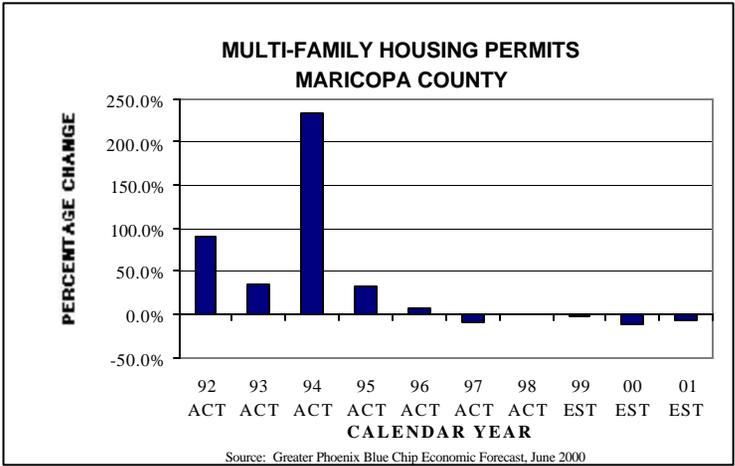
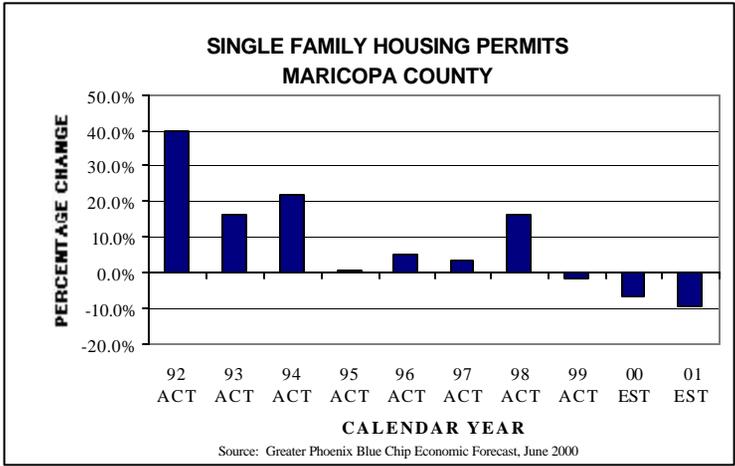
CONTRACTING:

Contracting collections in FY 2000 were \$37.4 million, an increase of 4.9 percent over FY 1999. This represents the lowest year-over-year growth since FY 1992 when contracting collections ended the fiscal year 8.1 percent below FY 1991. Contracting collections were 4.5 percent below the estimate for FY 2000. This revenue category is the second largest of the excise tax collection categories and has been one of the most volatile.



CONTRACTING: Continued

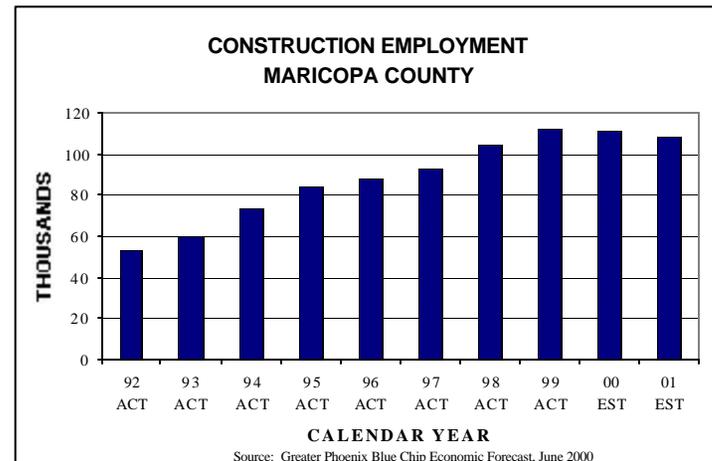
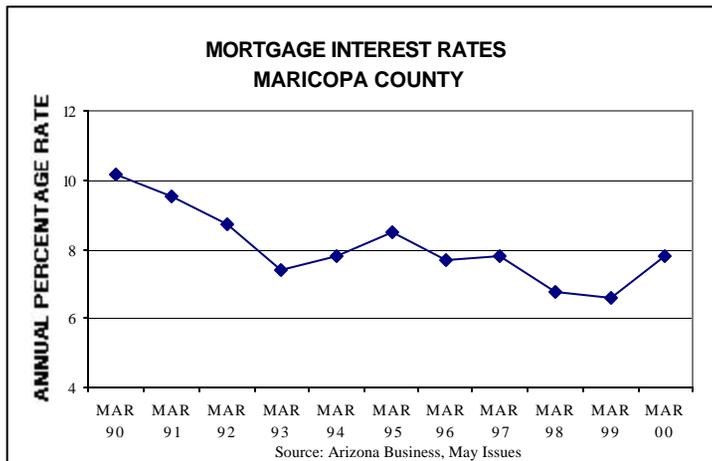
Maricopa County single-family housing permits decreased by 1.7 percent in CY 1999, compared to an increase of 16.1 percent in CY 1998. As noted previously, the construction cycle has matured thus leading to a decrease in construction activity growth. Single family housing permits are projected to decrease 6.9 percent and 9.4 percent in CY 2000 and CY 2001, respectively. In addition, the multi-family housing permits saw a 1.5 percent decrease in CY 1999 from the CY 1998 level. For the next two years, the multi-family housing permits are expected to decrease by 11.7 percent in CY 2000 and 6.2 percent in CY 2001. Apartment vacancy rates are expected to increase from 7.1 percent in CY 2000 to 7.4 percent in CY 2001.



The Federal Reserve has raised interest rates six times since the summer of 1999 which impacted mortgage rates during FY 2000. In April 2000, the interest rate for a conventional 30 year fixed rate mortgage was 7.7 percent compared to 6.6 percent in June 1999. This 1.1 percent increase in interest rates has slowed the housing market in the Greater Phoenix area, but only slightly. However, high consumer confidence and continued growth in employment and population resulted in modest year-over-year growth.

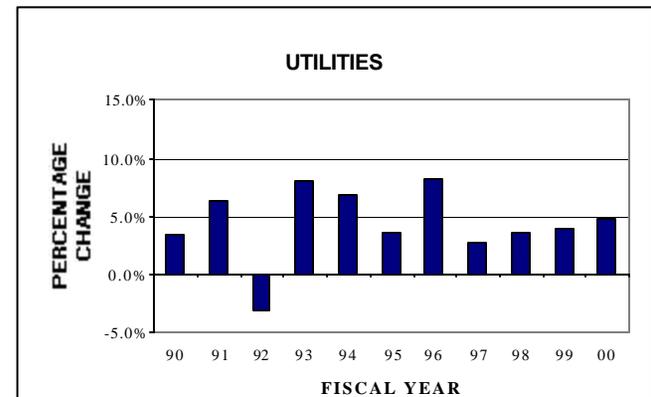
CONTRACTING: Continued

Construction employment in CY 1999 increased 7.6 percent over the CY 1998 level in part due to increased housing and commercial real estate construction. For CY 1999, construction employment totaled 112,300, compared to 104,400 in CY 1998. The forecast for construction employment shows a slight decrease to 111,700 in CY 2000, with further retrenchment to 108,500 in CY 2001.



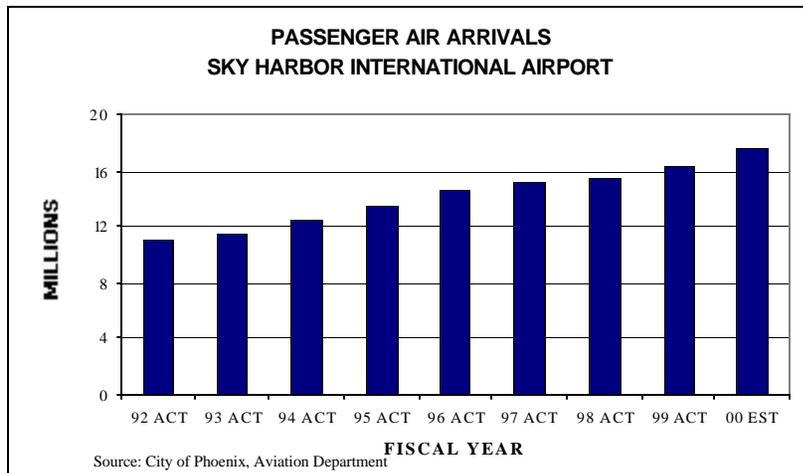
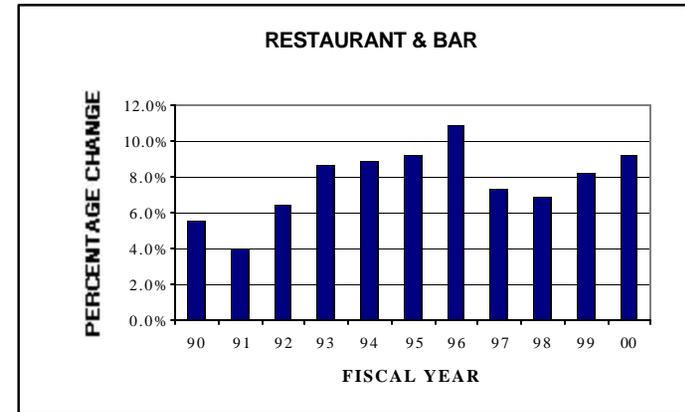
UTILITIES:

Utility tax collections in FY 2000 totaled \$16.4 million, an increase of 4.8 percent over FY 1999 and 0.1 percent above the FY 2000 estimate. Although the Greater Phoenix area experienced a mild summer in 1999 and winter in 2000, utility tax revenue growth was fueled by population growth which spurred demand for additional housing and growth in commercial activities.



RESTAURANT AND BAR:

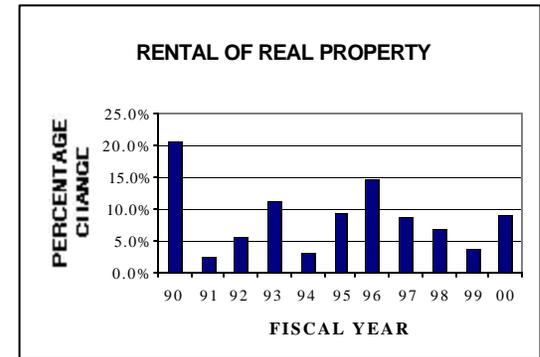
Restaurant and bar collections increased 9.3 percent to \$20.0 million in FY 2000 which was 0.9 percent above the estimate. Good economic conditions, coupled with population growth, are reflected in these increased collections.



Restaurant and bar revenues also have benefited from the strong growth of passenger air arrivals at Sky Harbor International Airport. In FY 2000, the number of air arrivals increased 7.3 percent over FY 1999. The increase is attributable to expanding business along with higher levels of leisure travel due to lower airfares. Tourism is expected to continue to be an important factor for Maricopa County due to the climate, positive exposure associated with major sporting events and attractive tourist locations in the county and state. However, the number of winter visitors has decreased due to a number of factors, including the Greater Phoenix area becoming too big and the stronger United States dollar impact on Canadian visitors.

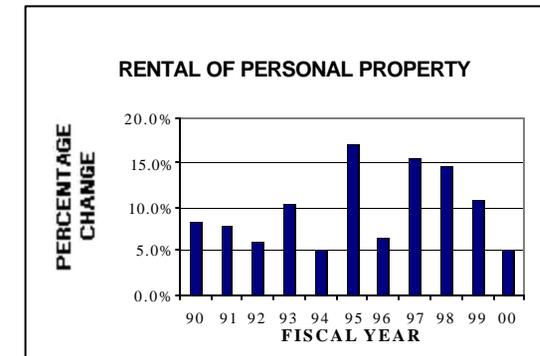
RENTAL OF REAL PROPERTY:

In FY 2000, rental of real property tax revenues totaled \$22.1 million, an increase of 8.9 percent over FY 1999 which was 3.7 percent below the forecast. This category includes rental of commercial, residential and transient lodging (hotel/motel) facilities. The growth in recent years can be attributed to increased population, personal income and tourism.



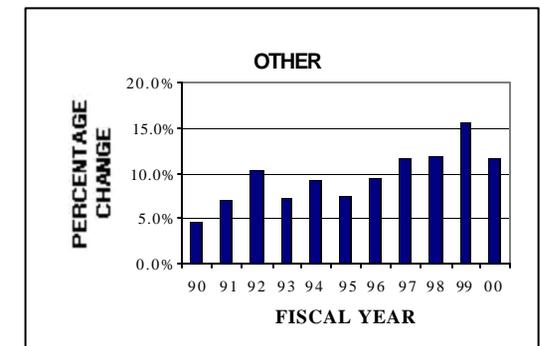
RENTAL OF PERSONAL PROPERTY:

Rental of personal property collections in FY 2000 amounted to \$13.4 million, an increase of 5.1 percent over the FY 1999 revenue level. However, rental of personal property collections ended the fiscal year 0.8 percent below the estimate. Collections have benefited from the popularity of leasing which accounts for approximately 25 percent of new car sales.

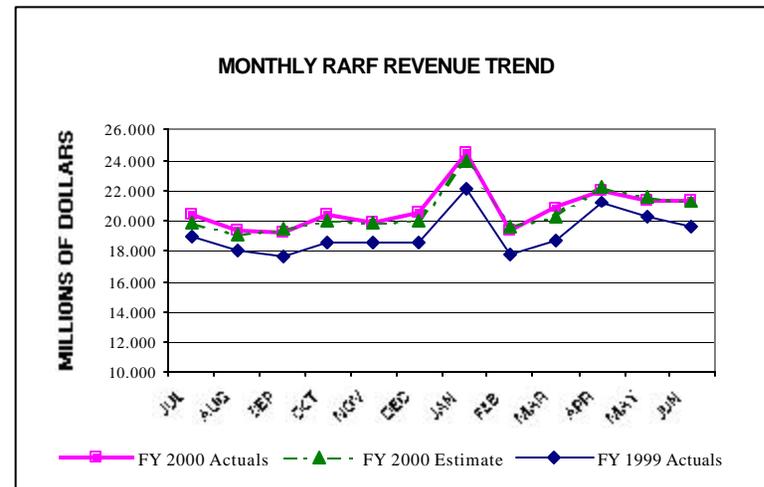
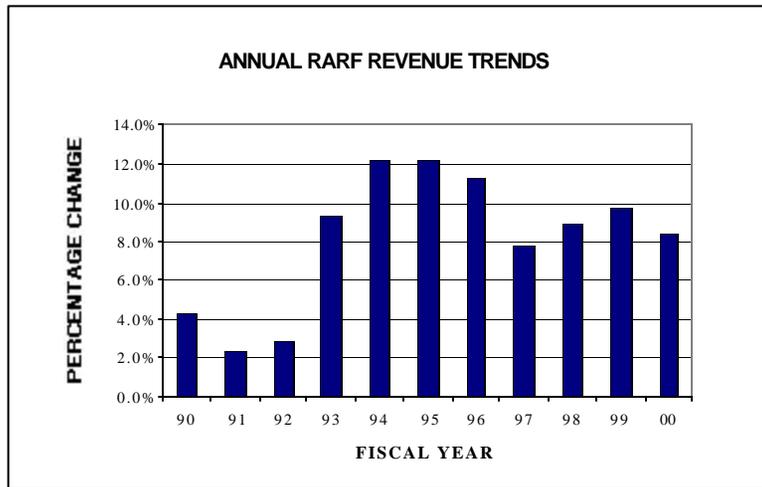


OTHER:

"Other" revenues totaled \$14.8 million in FY 2000, an increase of 11.7 percent over FY 1999 which was 12.6 percent above the estimate. The "other" revenue category includes collections from amusements, communications, publishing and printing, advertising, transportation and towing, pipelines for oil and gas, and mining. The communications and amusement sectors were the largest contributors to the growth in revenues during FY 2000, increasing 17.7 percent and 13.4 percent, respectively. The communications sector has benefited from the growth in cellular phone ownership along with consumer demand for voice mail and second phone lines.



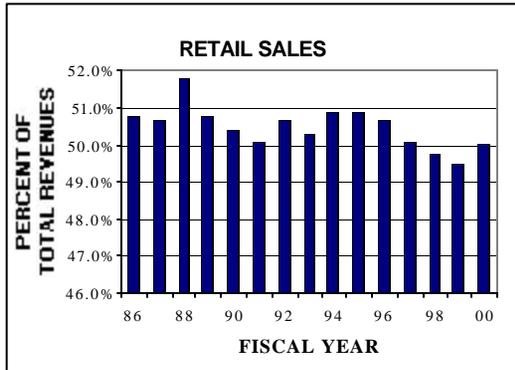
REVENUE TREND ANALYSIS



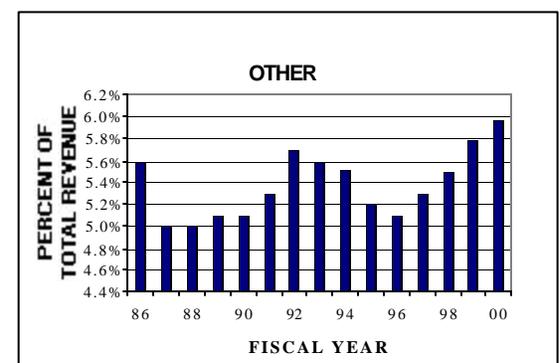
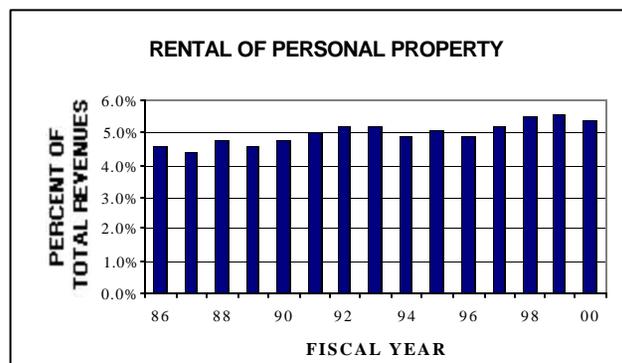
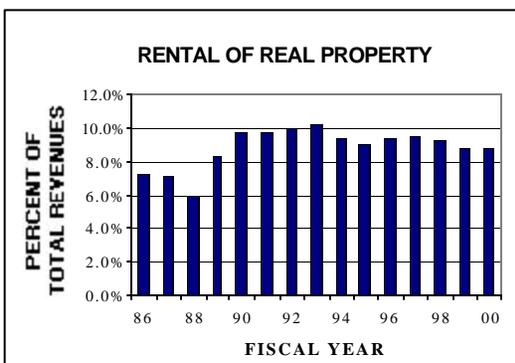
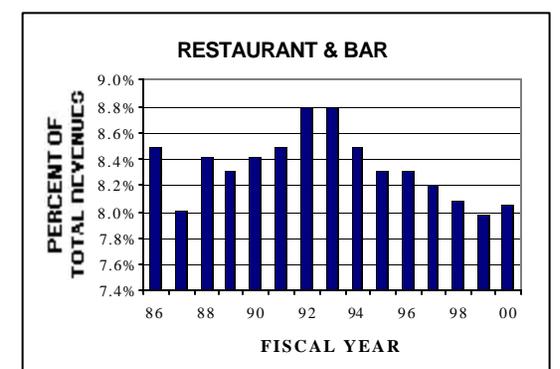
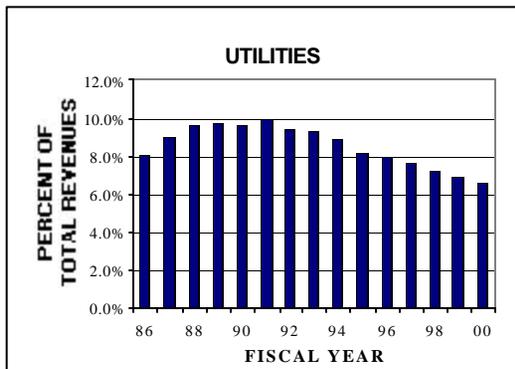
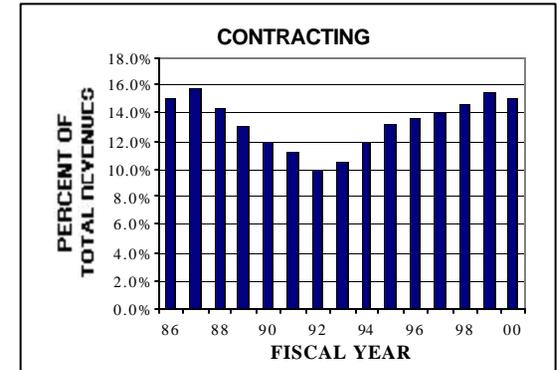
Transportation excise tax collections totaled \$248.6 million in FY 2000, compared to \$229.5 million in FY 1999. All revenue categories showed increases over last year’s revenue levels. The stronger than expected employment growth along with higher consumer confidence and population growth have attributed to higher excise tax collections in Maricopa County over the past fiscal year. In addition, the Maricopa County economy continues to become more diversified with advancement in the high technology and financial sectors.

On a monthly basis, RARF revenue continues to follow consistent trends with sharp increases in revenues in the months of December and January due to holiday retail sales.

REVENUE COMPOSITION COMPARISON



Retail sales is the largest component of the excise tax collections, generating just over 50 percent of total revenues which has been consistent since the inception of the excise tax in FY 1986. The second largest category is contracting, representing 15 percent of total RARF collections. In FY 2000, all categories remained nearly unchanged in their proportion of revenue contributed to total RARF revenue.



REVENUE PERFORMANCE

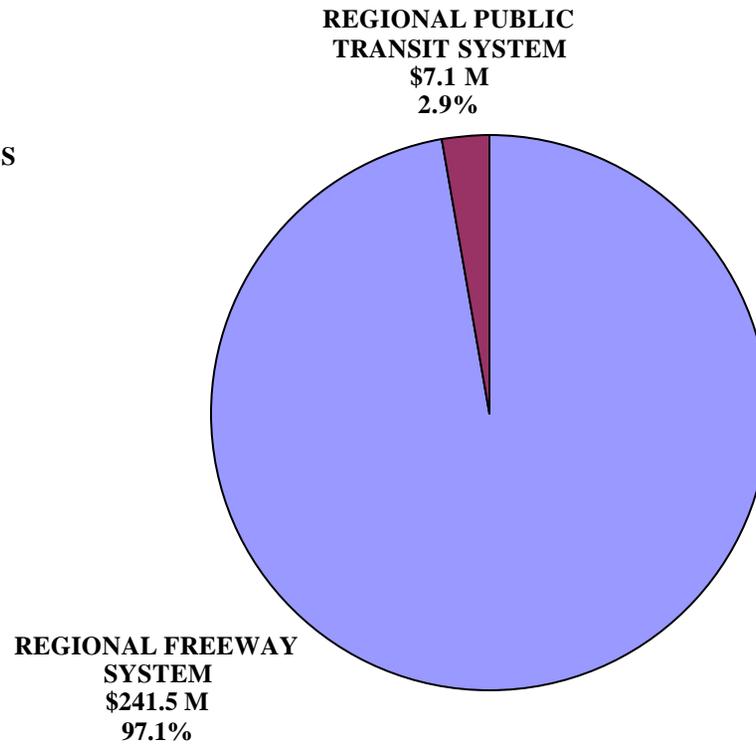
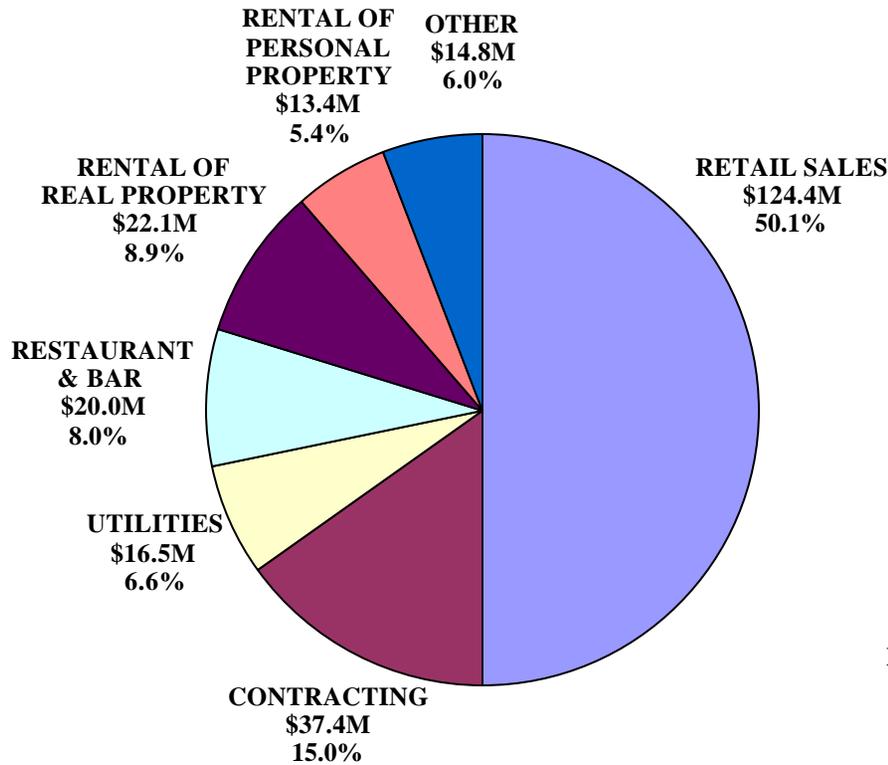
MARICOPA COUNTY TRANSPORTATION EXCISE TAX

FY 2000 ACTUAL

TOTAL= \$248.6 MILLION

SOURCES

DISTRIBUTIONS



MARICOPA COUNTY REGIONAL AREA ROAD FUND TRANSPORTATION EXCISE TAX REVENUE COMPARISON STATEMENT FY 2000

CATEGORY	FY 1999 ACTUAL	FY 2000 ACTUAL	CHANGE	FY 2000 ESTIMATE	CHANGE
RETAIL SALES	\$113,528,130	\$124,428,395	9.6%	\$121,634,000	2.3%
CONTRACTING	35,632,022	37,383,996	4.9%	39,132,000	-4.5%
UTILITIES	15,680,268	16,437,080	4.8%	16,416,000	0.1%
RESTAURANT & BAR	18,304,494	20,005,337	9.3%	19,826,000	0.9%
RENTAL OF REAL PROPERTY	20,266,383	22,080,079	8.9%	22,926,000	-3.7%
RENTAL OF PERSONAL PROPERTY	12,787,040	13,434,147	5.1%	13,544,000	-0.8%
OTHER	13,271,864	14,826,955	11.7%	13,170,000	12.6%
TOTAL	\$229,470,201	\$248,595,990	8.3%	\$246,648,000	0.8%

NOTE: DIVISION OF COLLECTIONS TO BUSINESS CATEGORIES IS IMPUTED BASED UPON REPORTED TAXABLE INCOME.

**MARICOPA COUNTY REGIONAL AREA ROAD FUND
TRANSPORTATION EXCISE TAX
REVENUES COLLECTED BY CATEGORY
FY 1986 - 2000
(Dollars in Thousands)**

FISCAL YEAR	RETAIL SALES	CONTRACTING	UTILITIES	RESTAURANT & BAR	RENTAL REAL PROPERTY	RENTAL PERSONAL PROPERTY	OTHER	TOTAL	PERCENT CHANGE
1986 *	\$19,244	\$5,716	\$3,073	\$3,682	\$1,923	\$1,733	\$1,615	\$36,986	
1987	48,085	14,849	8,542	7,579	6,822	4,172	4,782	94,831	
1988	51,405	14,188	9,535	8,379	5,994	4,728	4,961	99,190	4.6%
1989	53,927	13,947	10,336	8,795	8,952	4,883	5,410	106,250	7.1%
1990	55,798	13,286	10,685	9,282	10,808	5,289	5,653	110,801	4.3%
1991	56,769	12,715	11,353	9,655	11,091	5,708	6,044	113,335	2.3%
1992	59,108	11,688	10,999	10,280	11,707	6,043	6,671	116,496	2.8%
1993	64,033	13,385	11,874	11,171	12,993	6,672	7,145	127,273	9.3%
1994	72,737	17,039	12,680	12,166	13,414	7,002	7,808	142,846	12.2%
1995	81,546	21,107	13,132	13,291	14,660	8,198	8,384	160,318	12.2%
1996	90,454	24,284	14,198	14,739	16,822	8,734	9,183	178,413	11.3%
1997	96,281	26,948	14,583	15,821	18,298	10,074	10,252	192,257	7.8%
1998	104,073	30,610	15,101	16,917	19,552	11,539	11,472	209,263	8.8%
1999	113,528	35,632	15,680	18,304	20,266	12,787	13,272	229,470	9.7%
2000	124,428	37,384	16,437	20,005	22,080	13,434	14,827	248,596	8.3%
TOTAL	\$1,091,416	\$292,778	\$178,208	\$180,067	\$195,382	\$110,996	\$117,479	\$2,166,326	

COMPOUND ANNUAL GROWTH RATE (FY 1987 - FY 2000) = 7.7%

*The tax became effective January 1, 1986

ARIZONA TRANSACTION PRIVILEGE TAX

EXCISE TAX RATES

FY 2000

Taxable Activity	Percent of Total Maricopa County Transaction Privilege Tax Collections	Transaction Privilege Tax Rate	Transportation Excise Tax Rate
Retail Sales	50.05%	5.00%	0.50%
Contracting	15.04%	5.00%	0.50%
Rental of Real Property (including hotels & motels)	8.88%	1.82%*	0.512%
Restaurants and Bars	8.05%	5.00%	0.50%
Utilities	6.61%	5.00%	0.50%
Rental of Personal Property	5.40%	5.00%	0.50%
Communication	3.41%	5.00%	0.50%
Amusements	1.14%	5.00%	0.50%
Publishing and Printing	0.87%	5.00%	0.50%
Other	0.55%	5.00%	0.50%
Mining	0.00%	3.125%	0.3125%
Wholesale Feed	0.00%	0%**	0.00%

* In 1990 and 1993, legislation reduced the transaction privilege tax rate for real property rentals, however, for transportation excise tax purposes, the rate was retained at its prior level.

** In 1994, legislation repealed the transaction privilege tax for livestock and poultry feed, salts, vitamins and other additives for livestock and poultry. The tax rate was reduced to zero on July 17, 1994 and then the tax classification was repealed on October 1, 1994.

REVENUE CATEGORY DEFINITIONS

RETAIL SALES	Includes retail sales of automobiles, durable goods and other general merchandise, apparel, building materials, furniture and other tangible personal property. The tax on food was repealed in July, 1980.
CONTRACTING	Includes prime contracting and dealership of manufactured buildings and owner-builder operations.
UTILITIES	Includes producing and/or furnishing to consumers electricity, natural or artificial gas and water.
RESTAURANT AND BAR	Includes operations of restaurants and drinking establishments.
RENTAL OF REAL PROPERTY	Includes leasing or renting real property, hotels and motels.
RENTAL OF PERSONAL PROPERTY	Includes leasing or renting tangible personal property such as leased vehicles and construction equipment.
OTHER	Includes operations of amusement places, intrastate telecommunication services, job printing, engraving, embossing and publication, publication of newspapers, magazines and other periodicals, intrastate transportation of persons, freight or property, and intrastate operation of pipelines for oil or natural or artificial gas.